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ABSTRACT

This study examined the attitudes of state education policymakers and campus representatives in regard to performance funding and budgeting in public higher education. A mailed survey of 916 state education policymakers, campus administrators, deans, and faculty senate chairs in nine states was conducted in December 1996, and a follow-up telephone survey of state higher education finance officers (SHEFOs) in all 50 states, Puerto Rico, and the District of Columbia, which sought to differentiate performance funding from performance budgeting, was conducted in April 1997. The former survey found a preference for state higher education budgets driven by current costs, improved results of higher education institutions, and enrollment levels; all groups except state education policymakers considered that external accountability was the main purpose of performance funding. The telephone survey found that 10 states currently had performance funding for public colleges and universities. Eighteen SHEFOs from states without performance funding indicated that it was likely that their states would adopt such a program in the next five years. Eight states reported currently having performance budgeting for public higher education, and 18 of the respondents indicated that it was likely that their states and the District of Columbia would institute performance budgeting over the next 5 years. (MDM)

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Performance Funding and Budgeting for Public Higher Education: Current Status and Future Prospects

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Performance Funding and Budgeting for Public Higher Education: Current Status and Future Prospects

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CONTENTS

State Performance Funding and Budgeting for Public Higher Education: Current Status and Future Prospects 1

by Joseph C. Burke and Andreea M. Serban

The Survey 1
Performance Funding 2
Performance Budgeting 3
State Agencies 4
Comparisons with Previous Surveys 5
Conclusions 6

Performance Funding for Public Higher Education: Views of Critical Stakeholders 7

by Andreea M. Serban

Introduction 7
Methodology 8
Participants 8
Questions 9
Limitations of the Survey 9
Results 10
Familiarity with Performance Funding 10
Inter-state Influence 11
State Budgeting Factors 13
Conceptual Elements of Performance Funding 14
Performance Funding Purposes 14
Values Emphasized by Performance Funding 15
Funding Levels 17
Sources of Funding and Relationship to State Budgets 18
Success Criteria 20
Performance Indicators 21
Planning and Implementation 24
Participants in the Development Process 24
Difficulties of Planning and Implementation 25
Advantages and Disadvantages 26
Effectiveness 29
Improvement 31
Prospects 31
Main Findings 32
Conclusions 33
References 34

State Performance Funding and Budgeting for Public Higher Education: Current Status and Future Prospects

Joseph C. Burke and Andreea M. Serban

Performance funding for public higher education became popular in the first half of the 1990s. A survey in late 1994 of State Higher Education Finance Officers found that nine states had adopted — and ten were considering — linking some funding for public colleges and universities to their achievements on priority goals or objectives.[1] Telephone interviews in 1995 with the chairs of the higher education committees of state legislatures revealed that forty-four percent of the respondents from forty-nine states thought their states were likely to link funding to student or institutional performance in the next few years.[2] Two surveys in 1996 suggested a growing interest in funding for results. The first indicated that fourteen states used quality outcomes factors in budgeting for public higher education.[3] The second concluded that "many states are either beginning to use or are considering performance funding, which is a natural outgrowth of the current public demand for the most effective use of tax dollars."[4] But by 1997, the popularity of performance funding for public colleges and universities is clouded in several states that confronted practical and political problems.

§ The Survey

To discover what has occurred since these surveys, the Public Higher Education Program at the Rockefeller Institute of Government conducted a telephone survey between April 17-April 28, 1997, and received responses from the State Higher Education Finance Officers or alternate officials in all of the fifty states, Puerto Rico, and the District of Columbia. This survey sought to differentiate performance funding from performance budgeting, since most of the earlier surveys did not attempt to distinguish between these two approaches to considering performance in the budget process. We defined *performance funding* as "special state funding tied directly to the achievements of public colleges and universities on specific performance indicators." We described *performance budgeting* as "state governments considering reports of achievements on performance indicators as a factor in setting budget levels for public higher education and its institutions, without tying designated amounts directly to performance on specific indicators."

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1 J. Kent Caruthers and Daniel Layzell, *Performance Funding at the State Level: Trends and Prospects.* Paper presented at the Annual Meeting for the Study of Higher Education, Orlando, FL, November 2, 1995, pp. 11-12.

2 Sandra S. Ruppert, *The Politics of Remedy: State Legislative Views on Higher Education.* Washington, DC: National Education Association, 1996, p. 37.

3 Mary P. McKeown, *State Funding Formulas for Public Four-Year Institutions.* Denver, CO: State Higher Education Executive Officers, February 1996, p.14.

4 Maryland Higher Education Commission, *Higher Education Funding Study: Part I: Methods For Funding Higher Education-Other States.* Annapolis, MD: Higher Education Commission, February 1996, p. 6.

§ Performance Funding

Our survey asked whether the states currently have, or have ever had; performance funding or performance budgeting for public higher education or for other state agencies. Representatives from states with performance funding programs for public higher education were also asked: what group initiated the proposal and whether it was mandated and the indicators prescribed in legislation. Those from states with performance funding and performance budgeting for public colleges and universities were questioned about the likelihood of their continuance over the next five years. Those from states without such programs were queried on whether adoption of performance funding and/or performance budgeting was likely during the same period.

The replies indicate that ten states currently have performance funding for public colleges and universities. Eight states adopted their programs in the 1990s. Tennessee officially implemented a statewide performance funding program in 1979 and Connecticut funded performance on the single measure of enrolling minority students since 1985. Legislation mandated the programs in eight of the ten states and prescribed in five all or most of the indicators. The legislature was the prime mover in four states, coordinating bodies in four, the governor in one, and the governor and the legislature in one. The amounts involved represent only a small percent of the state tax appropriations for the operating budgets of colleges and universities in all states with the exception of South Carolina, which plans to allocate 100 percent of state operating support to performance.[5]

Table 1. Current Status of Performance Funding and Budgeting for Public Higher Education

States with Performance Funding	States with Performance Budgeting
Colorado	Alabama
Connecticut	Florida
Florida	Hawaii
Kentucky	Idaho
Minnesota	Kansas
Missouri	Nebraska
Ohio	Rhode Island
South Carolina	Texas
Tennessee	
Washington	

Table 2. Characteristics of Performance Funding for Public Higher Education

State	Adoption Date	Mandate	Indicators Prescribed in Legislation	Initiation
Colorado	1993	Yes	Yes	Legislature
Connecticut	1985	Yes	No	Coordinating agency
Florida	1994	Yes	No	Governor/Legislature
Kentucky	1994	Yes	No	Governor
Minnesota	1995	Yes	Yes	Legislature
Missouri	1991	No	No	Coordinating agency
Ohio	1993	Yes	Yes	Legislature
South Carolina	1996	Yes	Yes	Legislature
Tennessee	1979	No	No	Coordinating agency
Washington	1997	Yes	Yes	Coordinating agency

[5] Detailed information on the performance funding programs in Arkansas (now concluded), Colorado, Florida, Kentucky, Minnesota, Missouri, Ohio, South Carolina, and Tennessee, including amounts allocated, is provided in: Andreea M. Serban and Joseph C. Burke, *Meeting the Performance Funding Challenge: A Nine State Comparative Analysis*, 1997, to be published.

The State Higher Education Finance Officers (SHEFOs) or their alternates in eight of the ten states with performance funding think it is "highly likely" or "likely" that their states will continue the program over the next five years. Respondents from Connecticut and Kentucky say they cannot predict its future. Eighteen SHEFOs from the states without performance funding — forty states, the District of Columbia, and Puerto Rico — say it is "highly likely" or "likely" that they will adopt such a program in the next five years, as opposed to thirteen who indicate that such action is "highly unlikely" or "unlikely." Contacts in eleven states feel unable to predict the future of performance funding in that period.

Table 3. Likelihood of Continuing Performance Funding for Public Higher Education (% of responses of the 10 states with performance funding)

Highly Likely	Likely	Unlikely	Highly Unlikely	Cannot Predict
30.00%	50.00%	0.00%	0.00%	20.00%
Florida South Carolina Tennessee	Colorado Minnesota Missouri Ohio Washington	-	-	Connecticut Kentucky

Table 4. Likelihood of Adopting Performance Funding for Public Higher Education (% of responses of the 40 states, DC, and Puerto Rico without performance funding)

Highly Likely	Likely	Unlikely	Highly Unlikely	Cannot Predict
19.05%	23.81%	23.81%	7.14%	26.19%
Illinois Louisiana Maryland Maine Oregon South Dakota Utah	Alaska District of Columbia Indiana Massachusetts Nebraska Nevada New York North Dakota Texas West Virginia Wyoming	California Georgia Hawaii Iowa Montana New Jersey North Carolina Puerto Rico Rhode Island Vermont	Delaware Michigan New Hampshire	Alabama Arkansas Arizona Idaho Kansas Mississippi New Mexico Oklahoma Pennsylvania Virginia Wisconsin

§ Performance Budgeting

Eight states currently have performance budgeting for public higher education, including Florida, which also has performance funding. All of them adopted the program in the 1990s, except Hawaii, where it started in 1975. Legislation mandated performance budgeting in five of the states, but prescribed the indicators only in Texas. Legislators instituted the programs in four states, coordinating bodies in two, the governor in one, and the governor and the legislature in one.

The replies from six of the states that currently have performance budgeting for higher education indicate they are "highly likely" or "likely" to continue this practice over the next five years, while two — from Kansas and Nebraska — could not predict the program's future. Eighteen of the respondents believe their states and the District of Columbia are "highly likely" or "likely" to institute performance budgeting in the next five years, while those from thirteen states and Puerto Rico think this development is "unlikely" or "highly unlikely." Thirteen felt unable to predict the prospects for this program.

Table 5. Characteristic of Performance Budgeting for Public Higher Education

State	Adoption Year	Mandate	Indicators Prescribed in Legislation	Initiation
Alabama	1996	Yes	No	Legislature
Florida	1994	Yes	No	Governor/Legislature
Hawaii	1975	Yes	No	Legislature
Idaho	1995	Yes	No	Legislature
Kansas	1995	No	No	Governor
Nebraska	1993	No	No	Coordinating Agency
Rhode Island	1997	No	No	Coordinating Agency
Texas	1993	Yes	Yes	Legislature

Table 6. Likelihood of Continuing Performance Budgeting for Public Higher Education (% of respondents of the 8 states with performance budgeting)

Highly Likely	Likely	Unlikely	Highly Unlikely	Cannot Predict
25.00%	50.00%	0.00%	0.00%	25.00%
Hawaii Rhode Island	Alabama Florida Idaho Texas			Kansas Nebraska

Table 7. Likelihood of Adopting Performance Budgeting for Public Higher Education (% of responses of the 42 states, DC, and Puerto Rico without performance budgeting)

Highly Likely	Likely	Unlikely	Highly Unlikely	Cannot Predict
9.09%	31.82%	29.55%	2.27%	27.27%
Georgia Louisiana Maine Oregon South Carolina	Alaska Arizona District of Columbia Indiana Massachusetts Minnesota Montana New Jersey North Carolina Utah Washington West Virginia Wyoming	Arkansas California Colorado Connecticut Delaware Maryland Mississippi New Mexico Nevada Puerto Rico Tennessee Vermont	North Dakota	Iowa Illinois Kentucky Michigan Missouri New Hampshire New York Ohio Oklahoma Pennsylvania South Dakota Virginia Wisconsin

§ State Agencies

Respondents indicate that ten states have either performance funding or performance budgeting for state agencies. Some states have experimental programs for only a few agencies, while others have implemented, or plan to extend, performance budgeting to many or all of their operations. Florida, Hawaii, Idaho, Kansas, and Texas have performance budgeting for state agencies as well as higher education. Alabama, Nebraska, and Rhode Island use it only for higher education, while North Dakota and Oklahoma include only state agencies. Two of the four states with either performance funding or budgeting only for state agencies appear "highly likely" or "likely" to

adopt it for higher education in the next five years. The respondent from Oklahoma could not predict and the one from North Dakota thought this perspective is "highly unlikely."

Table 8. Performance Funding and/or Budgeting for State Agencies

States with Performance Funding	States with Performance Budgeting
2 (4.00%)	8 (16.00%)
Florida	Florida
Utah	Hawaii
	Idaho
	Kansas
	Louisiana
	North Dakota
	Oklahoma
	Texas

§ Comparisons with Previous Surveys

The survey conducted by Caruthers and Layzell during late 1994 found that nine states had, and ten were planning to implement, performance funding. Twenty-two had no plans to implement it and ten states did not respond. Our survey also reports ten states with performance funding, but some of the states differ. The former listed Arizona and Nebraska, but respondents to our survey indicate that these states do not have performance funding, although Nebraska does have performance budgeting. Arkansas concluded its program in February 1997. Caruthers and Layzell recorded Kentucky, Ohio, and South Carolina, which later adopted performance funding, as planning to implement this program. Of the other seven states they listed as planning to implement performance funding, North Dakota, Oregon, and South Dakota are now described as "highly likely" or "likely" to adopt it in the next five years, and Idaho, Mississippi, and Pennsylvania fall into the category of "cannot predict." Washington, which this year adopted performance funding, appeared as having no plans for implementing it in the 1994 survey.

Table 9: 1994 Survey by Caruthers and Layzell

States with Performance Funding	States Planning to Implement Performance Funding
Arizona	Idaho
Arkansas	Kentucky
Colorado	Mississippi
Connecticut	New Mexico
Florida	North Carolina
Minnesota	North Dakota
Missouri	Oregon
Nebraska	Pennsylvania
Tennessee	South Carolina
	South Dakota

The 1996 survey by Mary McKeown of state budgeting practices for public higher education found that fourteen states were "using quality outcomes factors" in budgeting for public higher education. Our survey shows eighteen states with performance funding or budgeting. The 1996 survey apparently used a different definition for the use of quality outcome factors in budgeting than performance funding and budgeting as defined in this study. As a result, the two surveys show some differences in the states listed.

Table 10. 1996 Survey by Mary McKeown

States Using Quality Outcomes in Budgeting
Arizona
Arkansas
Connecticut
Florida
Illinois
Maine
Minnesota
Mississippi
Missouri
Ohio
Rhode Island
Tennessee
Vermont
Virginia

§ Conclusions

This survey suggests continuing dissatisfaction among state policy makers with their budgeting practices for public higher education and increasing interest in performance funding and budgeting. Thirty-five percent of the states currently have performance funding or performance budgeting. Of these states, eighty and seventy-five percent, respectively, are described as "highly likely" or "likely" to continue those programs, with the remainder in the category of "cannot predict." Responses also indicate that an additional forty-two percent of the states, including the District of Columbia, are "highly likely" or "likely" to adopt at least one of these programs in the next five years. In contrast, contacts from only eight percent of the states and Puerto Rico described adopting either program as "unlikely" or "highly unlikely." The same percent felt they could not predict whether their state would adopt either performance funding or budgeting in the next five years.

The responses reveal growing attraction toward performance funding for public higher education but recognize political and practical concerns. Twenty percent of the states currently have performance funding and the replies indicate that an additional thirty-four percent of the states, including the District of Columbia, are "highly likely" or "likely" to adopt it in the next five years. On the other hand, performance funding has suffered setbacks in three states. Arkansas abandoned the program and its future in Connecticut and Kentucky is considered unpredictable. Respondents in twenty-five percent of the states and Puerto Rico consider its future adoption "highly unlikely" or "unlikely." Twenty-one percent of the respondents could not predict whether their states would adopt performance funding in the next five years.

The survey indicates an equal split between interest in and resistance to state performance budgeting for public higher education. Sixteen percent of the states have performance budgeting and the future of two of these programs is described as unpredictable. An additional thirty-four percent of the states are characterized as "highly likely" or "likely" to adopt this program in the next five years, but such actions are considered "unlikely" or "highly unlikely" in twenty-five percent of the states, including Puerto Rico. Twenty-five percent of the respondents could not predict whether their state would adopt performance budgeting in the next five year.

Overall, the survey indicates that a performance component in the budgeting for public higher education is an attractive concept in a large and growing number of states, but it also suggests that implementation difficulties, campus opposition, and political shifts could hamper its expansion.

Performance Funding for Public Higher Education: Views of Critical Stakeholders[1]

Andreea Serban

§ Introduction

Performance funding for public higher education has emerged as a result of the decrease in tax support and concern for accountability and results. Although states have initiated numerous changes aimed at improving higher education (e.g., restructuring of governance, privatization of teaching hospitals, incentive programs tied to tuition and financial aid, use of technology, and pursuit of alternative revenue sources — NASBO Brief, 1996), performance funding is the only budgetary reform to date that directly links at least part of the funding for public higher education to achieved, rather than promised, results in policy areas states deem important, thus departing from traditional funding methods of higher education, which focus on inputs and processes. This study discusses the overall results of a large opinion and attitude survey[2] of state policy makers and campus leaders related to performance funding programs in nine states - Arkansas, Colorado, Florida, Kentucky, Minnesota, Missouri, Ohio, South Carolina, and Tennessee. The survey results presented in this paper are part of an extensive study of performance funding in the nine states conducted by the Public Higher Education Program at the Rockefeller Institute and sponsored by the Pew Charitable Trusts.

Although performance funding is not a new idea (Tennessee has experimented it since 1974), renewed interest in this budgetary method has emerged during the first half of the 1990s. The fifty state survey presented previously indicates that states are increasingly using or considering the use of some performance component in their higher education budgets. This interest seems to have been fueled by the discontent of state policy makers with traditional budgeting and apparent failure of reforms such as student assessment and performance reporting to significantly improve quality and increase accountability, efficiency, and productivity of higher education.

Numerous factors contribute to the controversy surrounding performance funding. Selecting priority goals for higher education and related performance indicators, establishing indicator weights and success criteria, and setting sustainable performance-based funding levels are difficult tasks in an environment characterized by frequent changes in state political leadership and priorities. The diversity of institutions and the elusive nature of higher education quality have also contributed to the complexity of performance funding.

The existing studies on the topic focus exclusively on the experiences of single states. To date, no study has attempted to investigate the critical opinions and attitudes of those involved in the

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1 This paper was presented at the American Association for Higher Education Assessment and Quality Conference, Miami Beach, FL, June 11-15, 1997.

2 An extensive, nine state comparative analysis of attitudes and opinions of groups surveyed is under preparation.

design, planning, implementation, and evaluation of performance funding and/or those directly affected by it. This study attempts to fill this gap. It is hoped that the findings of the study provide a common background of understanding and communication for the states considering implementation or revision of their performance funding programs.

§ Methodology

Participants

Participants in this survey represent two major groups of higher education constituents: state policy makers and campus representatives in the nine states of the study. The state policy maker group includes: governors, higher education aides to governors, chief state budget officers (all three reported in the survey analysis under Governor's Office), chairs of higher education/education and fiscal legislative committees of Senates and Houses of Representatives (legislators), officers of coordinating bodies (chairs, state higher education finance officers, and state higher education executive officers), chairs of system governing boards, and system administration officers (chancellors, vice chancellors for academic affairs and finance). Campus representatives include presidents, vice presidents for academic affairs, vice presidents for finance, deans, and chairs of faculty senates or faculty governance bodies. Surveys were sent to all state policy makers in the groups listed and campus representatives from all public higher education institutions in the nine states.

The survey questionnaire was mailed to 1,813 individuals which represented the total population for all the constituent groups in the nine states. The survey was mailed on November 6, 1996 and a follow-up was mailed on December 6, 1996. Responses were received from 916 individuals giving an overall response rate of 50.52%. Table 1 presents the breakdown of the survey population and respondents by constituent groups. Table 2 presents the length of service in current position for respondents from each constituent group as it was reported in the survey.

Table 1. Survey Population and Respondents

	Sent	Received	Response Rate (%)
Governor's Office	27	13	48.15
Legislators	39	6	15.38
Coordinating Agency Officers	28	21	75.00
Chairs of System Governing Boards	8	3	37.50
System Administration Officers	19	13	68.42
Campus Senior Officers 4Yr	284	180	63.38
Campus Senior Officers 2Yr.	430	224	52.09
Deans 4Yr.	521	270	51.82
Deans 2Yr.	205	87	42.44
Chairs of Faculty Senates 4Yr.	97	41	42.27
Chairs of Faculty Senates 2Yr.	155	58	37.42
TOTAL	1813	916	50.52

Table 2: Respondent Length of Service in Current Position

	Less than a year	1-3 Years	4-6 Years	7 years or more	No response
Governor's Office	15.4%	38.5%	23.1%	15.4%	7.7%
Legislators	0.0%	33.3%	0.0%	50.0%	16.7%
Coordinating Agency Officers	19.0%	14.3%	23.8%	42.9%	0.0%
Chairs of System Governing Boards	0.0%	33.3%	0.0%	33.3%	33.3%
System Administration Officers	15.4%	30.8%	0.0%	46.2%	7.7%
Campus Senior Officers 4-yr	9.44%	30.00%	27.22%	32.78%	0.56%
Campus Senior Officers 2-yr	7.59%	21.88%	20.54%	49.11%	0.89%
Deans 4-yr	9.44%	33.39%	23.30%	31.81%	2.06%
Deans 2-yr	6.85%	26.79%	28.48%	35.38%	2.50%
Chairs of Faculty Senates 4-yr	46.34%	43.90%	2.44%	7.32%	0.00%
Chairs of Faculty Senates 2-yr	34.48%	20.69%	12.07%	29.31%	3.45%

Questions

The survey consisted of twenty-three questions developed based on the review of primary source materials from the nine states and extant literature on budgeting practices for higher education. The questions were aimed at determining the perceptions, opinions, and attitudes of the individuals surveyed regarding performance funding, in general, and in their state, in particular. The questions were scrutinized and revised by a panel of fourteen experts in higher education policy, finance, and budgeting.

The areas investigated through the questionnaire included:

- Conceptual elements of performance funding programs such as: purpose(s) of performance funding, values emphasized by these programs, performance indicators, indicator weights, success criteria, funding levels, source(s) of funding, relationship between performance funding and state budgets;
- Operational elements such as: participation in the development process, difficulties of planning and implementation, overall advantages and disadvantages, effectiveness, methods of improving the current performance funding programs, and prospects for the future.

Limitations of the Survey

Any survey is subject to limitations and this one is no exception. The first limitation derives from dependability on the time-frame when the survey was administered. This survey captures the attitudes and opinions of respondents at the end of 1996. Since then two of the states of the study,

Arkansas and Kentucky, have witnessed significant changes: the former abandoned performance funding as a result of legislation passed in February 1997 and the latter has to deal with a new gubernatorial agenda, which does not seem to have performance funding on its list of priorities.

The second limitation is related to the groups of individuals surveyed. In spite of efforts made to include as many of the critical higher education constituents as possible, due to logistic reasons, important groups such as faculty and students could not be included. The low rate of return from legislators, one of the most influential groups in the initiation of performance funding, reduces significantly its representativeness. The group of chairs of system governing boards consists of eight individuals and only three responded. Although this gives a response rate of 37.5%, given the small size of the group population itself this response rate is not sufficient to ensure its representativeness.

§ Results

Familiarity with Performance Funding

Two of the survey questions were intended to determine respondents' level of familiarity with performance funding in their state and in other states. The possible answers followed a Likert scale (highly familiar, familiar, moderately familiar, slightly familiar, unfamiliar). As expected, respondents are much more familiar with performance funding practices in their own state than those in other states. System administration officers, senior campus officers, and coordinating agency officers are more familiar with performance funding practices than deans and chairs of faculty senates both within their own state and other states. Governor's office and legislators are less familiar than the former groups in terms of in-state performance funding but seem to be better informed about other states as compared to other groups. The sharp difference between knowledge of performance funding in the home state as opposed to other states might be explained by the short-life span of these programs in most of the states. This assumption appears to be confirmed by the responses given to the next question, which asked participants in the survey to list the states they are familiar with in terms of their performance funding programs. Five hundred and fifty respondents listed no state. The ten states listed most often are shown in Table 5. As expected, Tennessee, with its two-decade performance funding history, is the most familiar state to respondents.

*Table 3. Familiarity with Performance Funding Program in Home State**

	Highly Familiar/Familiar	Moderately Familiar	Slightly Familiar/Unfamiliar
Governor's Office	76.9%	23.1%	0.0%
Legislators	83.3%	0.0%	16.7%
Coordinating Agency Officers	85.7%	4.8%	9.5%
Chairs of System Governing Boards	66.7%	0.0%	0.0%
System Administration Officers	92.3%	7.7%	0.0%
Campus Senior Officers 4Yr.	90.6%	4.4%	4.4%
Campus Senior Officers 2Yr.	85.7%	9.4%	4.5%
Deans 4Yr.	51.4%	22.9%	23.8%
Deans 2Yr.	61.9%	20.9%	15.0%
Chairs of Faculty Senates 4Yr.	58.5%	22.0%	19.5%
Chairs of Faculty Senates 2Yr.	44.8%	27.6%	27.6%

* The total of the three columns is not 100% for some of the groups due to lack of responses.

Table 4. Familiarity with Performance Funding Programs in Other States

	Highly Familiar/Familiar	Moderately Familiar	Slightly Familiar/Unfamiliar
Governor's Office	23.1%	30.8%	46.2%
Legislators	33.3%	16.7%	50.0%
Coordinating Agency Officers	52.4%	28.6%	19.0%
Chairs of System Governing Boards	0.0%	33.3%	33.3%
System Administration Officers	38.5%	46.2%	15.4%
Campus Senior Officers 4Yr.	28.9%	26.1%	45.0%
Campus Senior Officers 2Yr.	18.8%	22.3%	58.5%
Deans 4Yr.	12.5%	12.2%	74.2%
Deans 2Yr.	7.0%	15.1%	76.6%
Chairs of Faculty Senates 4Yr.	9.8%	7.3%	82.9%
Chairs of Faculty Senates 2Yr.	3.5%	15.5%	81.0%

* The total of the three columns is not 100% for some of the groups due to lack of responses.

Table 5. States Listed as Familiar to Respondents

State	Frequency
TENNESSEE	220
FLORIDA	92
TEXAS	79
KENTUCKY	65
MISSOURI	54
SOUTH CAROLINA	50
OHIO	37
COLORADO	29
MINNESOTA	27
ARKANSAS	25

Influence of Other States on Performance Funding Elements in Home State

Eight of the nine states of this study have initiated performance funding in the first half of the 1990s. Five are southern states. Respondents were asked to rate on a Likert scale the perceived influence of performance funding practices in other states on six major performance funding elements as developed in their home state (1 - very strongly, 2 - strongly, 3 - moderately, 4 - slightly, 5 - not at all). As the means in Table 6 suggest, there appears to be little external influence on the

design of performance funding programs. The only exceptions are the beliefs of deans and chairs of faculty senates of two-year institutions regarding the external influence on the allocation method employed and the perceptions of system administrators, deans, and chairs of faculty senates of both four- and two-year institutions regarding performance indicators. This latter perception is not confirmed when the indicators employed by these nine states are compared. As Burke (1997) points out, there is little commonality in the indicators utilized for performance funding in contrast to the widespread borrowing among states of indicators used for performance reporting.

Table 6. Perceived Influence of Practices of Other States on Performance Funding in Home State*

	Allocation Method		Implementation Method		Amount Allocated		Success Criteria		Performance Indicators		Indicator Weights	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Governor's Office	3.46	1.27	3.08	1.26	3.92	0.86	3.08	1.26	3.08	1.32	3.54	1.2
Legislators	3	0.82	3.5	1.29	3.5	1	3.5	1.29	3.5	1.29	3.5	1.29
Coord. Agency Officers	4.05	1.19	4.1	0.97	4.1	0.91	3.75	1.02	3.7	1.26	4.3	0.8
Chairs of System Governing Boards	4	0	4	0	4.5	0.71	4	0	4	0	4.5	0.71
System Admin. Officers	3.38	1.33	3.42	1.31	4	1.15	3.38	0.96	2.92	1.26	4.4	0.97
Campus Senior Officers 4Yr	3.34	1.32	3.55	1.19	3.83	1.05	3.31	1.09	3.16	1.19	3.69	1.12
Campus Senior Officers 2Yr.	3.28	1.18	3.29	1.09	3.62	1.06	3.21	1.04	3.06	1.14	3.58	1.16
Deans 4Yr.	3.12	1.21	3.31	1.11	3.52	1.16	3.07	1.18	2.88	1.17	3.45	1.11
Deans 2Yr.	2.98	1.19	3.12	1.07	3.4	1.15	2.83	1.24	2.69	1.26	3.16	1.23
Chairs of Faculty Senates 4Yr.	3.27	1.42	3.55	1.26	3.77	0.92	3.48	1.31	3.39	1.23	3.73	1.12
Chairs of Faculty Senates 2Yr.	2.74	1.4	3.13	1.26	3.12	1.37	2.97	1.1	2.85	1.26	3.23	1.28

* Respondents were asked to indicate the influence of performance funding in other states on these six elements of performance funding in their home state using the following scale: 1 - Very strongly, 2 - Strongly, 3 - Moderately, 4- Slightly, 5 - Not at all. Thus, a low mean indicates a strong perceived influence.

State Budgeting Factors

One of the premises of performance funding is its potential to correct some of the flaws in traditional budgeting methods for higher education (Serban and Burke, 1997). One of the questions of the survey asked respondents to rank in order of importance (1 - the most important) what should be the priority of various elements (listed in Table 7) in the state budget for higher education. Three elements appear to compete for the first place on the list of priorities for state budgeting for higher education: current costs, improved results of higher education institutions, and enrollment levels. Other elements usually considered in state budgets for higher education - inflationary and salary increases, new programs, and special initiatives - seem to have lost ground as main priorities in state budgeting. However, groups such as chairs of faculty senates of four-year institutions consider that inflationary and salary increases should be higher priority than improved results. As expected, groups such as the Governor's office and coordinating agency officers rank improved results as the highest desired priority in state budgeting as opposed to senior campus officers of both two- and four-year institutions who believe that current costs should be the main element in determining budget levels.

Table 7. Rank Average of State Budgeting Factors

	Current Costs		Enrollment Levels		Improved Results		Inflationary and Salary Increases		New Programs		Special Initiatives	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Governor's Office	2.31	1.38	3.23	1.92	1.62	1.5	3.85	1.52	4.23	1.69	4.15	1.99
Legislators	2.17	1.94	2.17	1.47	2.17	1.72	2.83	2.04	4	2.19	4.17	2.56
Coordinating Agency Officers	2.05	1.83	2.9	1.64	1.95	1.12	3.71	1.76	4.71	1.85	3.71	1.76
Chairs of System Governing Boards	1.67	2.08	2.33	2.08	1	1	3	3	2.67	3.06	3.33	2.89
System Admin. Officers	2	1.29	3.31	1.65	2.69	1.32	3.23	1.42	5.15	1.21	4.62	1.33
Campus Senior Officers 4Yr	1.92	1.56	2.81	1.69	2.92	1.5	3.02	1.57	4.37	1.63	4.7	1.79
Campus Senior Officers 2Yr.	1.96	1.42	2.69	1.61	3.14	1.5	3.48	1.45	4.15	1.26	5.16	1.44
Deans 4Yr.	2.1	1.64	2.76	1.73	2.74	1.53	3.11	1.71	4.01	1.72	4.61	1.89
Deans 2Yr.	2.44	1.6	2.82	1.72	2.92	1.51	3.67	1.55	3.95	1.3	4.87	1.64
Chairs of Faculty Senates 4Yr.	2.43	1.63	2.98	1.7	3.5	1.65	2.88	1.45	4.28	1.38	4.75	1.58
Chairs of Faculty Senates 2Yr.	2	1.49	2.48	1.44	3.29	1.65	2.67	1.48	4.1	1.56	5	1.74

§ Conceptual Elements of Performance Funding

Performance Funding Purposes

Performance funding in most of the nine states has two underlying purposes: external accountability and institutional improvement. Through the priorities set in performance funding programs, some of the states are also aiming at finding solutions to critical issues such as workforce and economic development, which are gathered under a third purpose, generically labeled "meeting state needs." Although not openly acknowledged, performance funding has been also used as a method of maintaining budget levels or obtaining additional funding during a time of declining or flat state support for higher education. Respondents were asked to rank (1 - the most important) the current and desired order of importance of these four major purposes. As results in Table 8 indicate, except for the Governor's office and Legislators, all other groups consider that external accountability is currently the main purpose of performance funding programs followed by institutional improvement, state needs, and budget increases. Respondents from the Governor's office group consider that institutional improvement is the main purpose followed by budget increases, external accountability, and state needs. Legislators, on the other hand, believe that budget increases are the main purpose seconded by institutional improvement and state needs, with external accountability in the last position.

In terms of desired prioritization of purposes, all groups, except for the Governor's office, wish to see institutional improvement become the main purpose of performance funding programs and, except for Governor's office and legislators, all groups want a significant de-emphasis of external accountability. Governor's office and legislators, however, believe that external accountability should become more important. Except for chairs of faculty senates of four-year institutions, all groups agree that budget increases should diminish in importance, while opinions regarding the place of meeting state needs as a performance funding purpose are mixed and the difference between its current and desired status for all groups is small and, for most of the groups, not significant.

Opinions expressed regarding the current and desired importance of performance funding purposes partially confirm and partially contradict the commonly held assumptions about the irreconcilable gap between the positions of state policy makers and campus leaders regarding the higher education enterprise. The views related to the current status of performance funding purposes appear to confirm the perception that campus leaders tend to view statewide higher education policies, especially funding practices, as a method aimed primarily at increasing the accountability of public colleges and universities while state policy makers, especially legislators and the Governor's office, seem to suspect higher education institutions of trying to secure increased funding at the expense of accountability or state needs.

When it comes to the desired priorities of performance funding policies, however, the apparent conflict between the two sides diminishes. Legislators seem to come closer to the views expressed by other groups regarding the importance of institutional improvement, state needs, and budget increases as purposes of performance funding practices. The Governor's office, however, remains firm on its initial position, which seems to be emphasizing increased external accountability and channeling of efforts toward meeting state needs.

Table 8. Current and Desired Performance Funding Purposes

	Budget Increases					External Accountability					Institutional Improvement					Meeting State Needs				
	Mean			SD		Mean			SD		Mean			SD		Mean			SD	
	Is	Should Be	Should Be - Is	Is	Should Be	Is	Should Be	Should Be - Is	Is	Should Be	Is	Should Be	Should Be - Is	Is	Should Be	Is	Should Be	Should Be - Is	Is	Should Be
Governor's Office	2.3	3.27	0.97*	1.34	1.19	2.7	2.27	-0.43**	0.95	0.65	1.6	2.36	0.76**	0.84	1.21	3.1	2.33	-0.77**	0.88	1.37
Legislators	1.75	4	2.25	1.5	1	3.5	2.6	-0.9	0.71	1.14	2	1.6	-0.4	1.41	0.55	2	2.5	0.5	0	1.29
Coord. Agency Officers	3.44	3.75	0.31	1.03	0.58	1.82	2.61	0.79*	0.73	0.78	1.94	1.35	-0.59**	0.87	0.75	2.5	2.13	-0.38	1.15	0.81
Chairs of Sys. Gov. Boards	3	4	1	n/a	0	1	2.5	1.5	n/a	0.71	2.5	1	-1.5	2.12	0	2	2.5	0.5	n/a	0.71
Sys. Admin. Officers	2.64	3.09	0.45**	1.21	0.94	1.5	2.67	1.17*	0.67	0.98	2.33	1.69	-0.64*	0.98	0.85	3.25	2.33	-0.92*	0.97	1.3
Campus Senior Officers 4Yr	2.94	3.28	0.33*	1.2	1.01	1.73	2.63	0.91*	0.92	0.9	2.25	1.39	-0.85*	1.07	0.63	2.5	2.3	-0.2	0.97	1.01
Campus Senior Officers 2Yr.	2.91	3.1	0.19**	1.19	0.99	1.71	2.68	0.96*	0.93	0.96	2.51	1.39	-1.12*	0.96	0.68	2.43	2.58	0.14	1.06	1.08
Deans 4Yr.	2.9	3.08	0.18**	1.2	1.03	1.76	2.74	0.98*	1	0.92	2.47	1.48	-0.99*	1.02	0.78	2.43	2.44	0.01	1.11	1.1
Deans 2Yr.	2.96	3.04	0.07	1.24	1.05	1.81	2.75	0.93*	0.87	1.04	2.5	1.39	-1.11*	1.13	0.67	2.29	2.44	0.15	1.07	1.03
Chairs of Faculty Senates 4Yr.	2.52	2.45	-0.07	1.23	1.15	1.94	3.07	1.13*	1.19	1.07	2.46	1.51	-0.95*	1.14	0.69	2.6	2.58	-0.02	1.08	1.03
Chairs of Faculty Senates 2Yr.	2.5	2.72	0.22	1.31	1.13	1.83	2.66	0.83*	0.98	1.03	2.68	1.65	-1.02*	1.06	0.88	2.58	2.64	0.06	1	1.11

* t test for paired sample means < .01

** t test for paired sample means < .05

Respondents were asked to rank in order of importance the four purposes, where 1=highest rank (the smaller the mean the higher the rank). If the difference between the "Should be" and "Is" means is negative, then the purpose should increase in importance and vice versa.

Values Emphasized by Performance Funding

Closely related to the issue of prioritization of performance funding purposes is the question of what values are emphasized through performance funding. According to Sergiovanni et al. (1993), "at the heart of educational policy debates are four widely held but conflicting values: equity, excellence, efficiency, and choice" (p. 10). For the purpose of this study, the value of excellence is subsumed to the value of quality which is largely used in the debates related to higher education policies. Sergiovanni contends that these four values exist "in a constant state of tension, so that too much emphasis on any one hinders expression of each of the other three" (p. 10). He believes that, although none of the four values alone constitutes a sufficiently powerful justification for any reform, value pairs appear to bear enough credibility and strength for this purpose. Using numerous examples of educational reforms, he provides convincing arguments for this belief and concludes that, since the mid 1980s, most reforms have been launched under the banner of quality and efficiency, with state governments assuming direct responsibility for change.

One of the questions was aimed at investigating what value or pair of values seems to dominate performance funding. The opinions expressed by respondents regarding the current and desired importance of the four values as they are reflected by performance funding programs in the nine states confirm Sergiovanni's arguments, underscoring the pervasiveness of the concern for and interest in quality - efficiency. In the same vein, values such as equity and choice seem to have lost ground in the higher education policy arena and this trend is reflected by the responses to this survey as well.

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Constituents seem to generally agree on their appreciation of the four values. As results in Table 9 suggest, the overriding emphasis is on the desire to enhance the qualitative aspects of performance funding and decrease the concern for efficiency. All constituents, with the exception of the Governor's office, feel that efficiency (the value closely associated with the idea of accountability) is currently the primary concern of performance funding programs followed by quality, equity, and choice. Respondents from the Governor's office believe that quality (the value closely associated with the idea of improvement) is currently the primary emphasis of these programs followed by equity, efficiency, and choice. Respondents from this group would like to see the concern for quality and efficiency increase even further, so that the future would prioritize these values as follows: quality, efficiency, equity, and choice. In this respect, this group agrees with all other constituents.

Respondents seem comfortable with the current secondary status of equity and choice and most of them want to see a further decrease in the concern for these two values. Only coordinating agency officers see the need for enhancing the concern for equity and chairs of faculty senates of four-year institutions would like performance funding programs to allow for more choice. The fact that the former group expressed an interest in equity is justified by the "buffer" position of coordinating agencies between state agencies and campuses. Since in most of these states coordinating agency officers are actively involved in the design, planning, implementation, and evaluation of these programs, they are closer to the operational aspects of performance funding and have to balance the diversity of institutional missions with the need for a coherent and consistent performance funding strategy. It is surprising, however, that representatives of two-year institutions do not appear concerned about elements related to equity and choice. Some of the leaders of two-year institutions have expressed their dissatisfaction with the design of performance funding programs that, in their opinion, is in the advantage of four-year institutions (e.g., performance indicators utilized).

Table 9. Current and Desired Performance Funding Values

	Quality					Efficiency					Equity					Choice				
	Means			SD		Means			SD		Means			SD		Means			SD	
	Is	Should Be	Should Be - Is	Is	Should Be	Is	Should Be	Should Be - Is	Is	Should Be	Is	Should Be	Should Be - Is	Is	Should Be	Is	Should Be	Should Be - Is	Is	Should Be
Governor's Office	1.6	1.55	-0.05	0.97	1.04	2.7	2.55	-0.15	0.95	0.52	2.6	2.64	0.04**	0.97	0.92	3.1	3.55	0.45	1.2	1.04
Legislators	2	1	-1	n/a	0	1	1.67	0.67	n/a	0.58	2.5	3	0.5	2.12	1.41	3	3	0	n/a	0
Coordinating Agency Officers	2	1.17	-0.83*	1.1	0.38	1.75	2.41	0.66*	0.93	0.8	2.87	2.69	-0.18	0.92	0.95	3.27	3.69	0.42**	0.96	0.48
Chairs of Sys. Gov. Boards	2	1	-1	1.41	0	1.5	2.5	1	0.71	0.71	2	2	0	n/a	n/a	4	4	0	n/a	n/a
Sys. Admin. Officers	2.42	1	-1.42*	1.38	0	1.69	2.08	0.38	0.75	0.28	2.55	3.09	0.55	1.04	0.54	3.18	3.82	0.64*	0.87	0.4
Campus Senior Officers 4Yr	2.12	1.17	-0.94*	1.11	0.5	1.64	2.45	0.82*	0.87	0.84	2.76	2.89	0.13	0.94	0.81	3.15	3.32	0.18**	1.02	0.9
Campus Senior Officers 2Yr.	2.19	1.16	-1.04*	1.12	0.47	1.68	2.4	0.72*	0.87	0.83	2.55	2.93	0.38*	0.91	0.87	3.38	3.39	0.01	0.86	0.78
Deans 4Yr.	2.38	1.13	-1.25*	1.18	0.4	1.52	2.42	0.90*	0.73	0.74	2.48	2.92	0.44*	0.9	0.88	3.27	3.41	0.13**	0.97	0.8
Deans 2Yr.	2.33	1.23	-1.10*	1.24	0.6	1.74	2.51	0.77*	0.96	0.84	2.31	2.63	0.32*	0.71	0.95	3.36	3.42	0.07	0.91	0.79
Chairs of Faculty Sen. 4Yr.	2.22	1.09	-1.14*	0.85	0.28	1.53	2.48	0.95*	0.86	1	2.6	2.83	0.23	1.12	0.7	3.3	3.16	-0.14**	0.88	0.93
Chairs of Faculty Sen. 2Yr.	2.08	1.18	-0.91*	1.18	0.56	1.7	2.43	0.73*	0.76	0.85	2.79	2.89	0.09	1.01	0.72	3.18	3.34	0.16	0.94	0.94

* t test for paired sample means < .01

** t test for paired sample means < .05

Respondents were asked to rank in order of importance the four values, where 1=highest rank (the smaller the mean the higher the rank). If the difference between the "Should be" and "Is" means is negative, then the value should increase in importance and vice versa.

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Funding Levels

Currently, performance funding levels are quite small. With the exception of South Carolina, where the legislation calls for public higher education funding based 100% on performance by 1999-2000, the other eight states have allocated modest amounts for performance funding ranging from as low as 0.49% of the state tax funds for higher education operating expenses in Kentucky in 1996-97 to 3.89% in Tennessee in 1993-94. Currently, Tennessee sets the highest performance funding level allowing its public higher education institutions to gain every year up to 5.45% of the their operating budgets for achieved performance. Although the amounts allocated for performance represent only a small percent of the budgets, the discretionary nature of this money, in most of the states, represents an incentive for public colleges and universities to pursue it.

One of the questions asked respondents to indicate what percentage of the educational and general costs of public higher education should be devoted to performance funding. Table 10 presents the responses to this question. Except for a small percent of campus constituents, who expressed the desire of having no money allocated based on performance, responses are split between the ranges of 1%-3%, 3%-6%, and more than 6% of the educational and general costs with legislators, chairs of system governing boards, deans of both four- and two-year institutions, and chairs of faculty senates of two-year institutions preferring the range of over 6%. Respondents from Governor's office prefer equally the ranges of 3% to 6% and over 6%, respectively, and, to a lesser extent, the range of 1% to 3%. Coordinating agency officers, system administration officers, campus senior officers of both four- and two-year institutions, and chairs of faculty senates of four-year institutions prefer the range of 3% to 6%.

These results confirm the position held by legislators in most of these states as promoters of funding based on results. Responses also confirm the moderation preferred and practiced by most of the states concerning the funding levels related to performance. This position seems appropriate, at least for the time being, if experiences such as Texas are taken into account.[3] The preferences of deans of both two- and four-year institutions and chairs of faculty senates of two-year institutions for more than 6% of funding based on performance contradict the commonly held assumption that these groups are the least likely to favor such programs.

Table 10. Desired Levels of Performance Funding

	None	Less than 1%	Between 1%-3%	Between 3%-6%	More than 6%	No response
Governor's Office	0.00%	0.00%	23.08%	38.46%	38.46%	0.00%
Legislators	0.00%	0.00%	0.00%	33.33%	50.00%	16.67%
Coordinating Agency Officers	0.00%	0.00%	14.29%	57.14%	23.81%	4.76%
Chairs of System Governing Boards	0.00%	0.00%	0.00%	0.00%	66.67%	33.33%
System Administration Officers	0.00%	7.69%	15.38%	46.15%	30.77%	0.00%
Campus Senior Officers 4Yr	3.89%	8.33%	26.67%	31.11%	27.22%	2.78%
Campus Senior Officers 2Yr.	4.46%	2.23%	26.79%	39.29%	25.89%	1.34%
Deans 4Yr.	4.80%	6.27%	16.61%	30.26%	33.58%	8.49%
Deans 2Yr.	4.60%	2.30%	16.09%	35.63%	40.23%	1.15%
Chairs of Faculty Senates 4Yr.	2.50%	5.00%	27.50%	40.00%	17.50%	7.50%
Chairs of Faculty Senates 2Yr.	8.62%	10.34%	17.24%	27.59%	32.76%	3.45%

[3] Begun in 1991, the attempt of some legislators in Texas to initiate a performance funding program with 10% of the operating budget based on performance proved to be one of the elements that provoked wide campus resistance and led to the defeat of the proposal in 1993.

Source of Funding and Relationship Between Performance Funding and State Budgets

The source of funding for performance represents a critical element in the design and implementation of such programs. The arguments for the appropriate performance funding source and its relation to state budgets diverge into two major groups. Concern for budget stability and shrinking funds lead to an argument for basing such programs on additional money, that is money which comes on top of the base budgets institutions would receive in any given year. This approach would not interfere with the base budget expectation and would help restore, even though to a small extent, the cuts or lack of budget increases many public colleges and universities have grappled with since late 1980s and early 1990s. Additional funds would also help offset the costs related to initial implementation and sustain performance funding related activities such as data collection and analysis, personnel (e.g., Tennessee has a performance funding coordinator at every public higher education institution, some states employ consultants to review academic programs), and report publication. However, as experiences with alternative funding methods and programs in some states demonstrate (e.g., Eminent Scholars and Program Excellence in Ohio, New Jersey's competitive programs), this approach is vulnerable to budget cuts, these type of funds being the first to be suspended. Kentucky even has a provision in its performance funding legislation which indicates that this funding alternative would be eliminated in case of large budget reductions.

The other argument is that reallocating money and making performance funding a part of base budgets — thus less vulnerable to budget cuts — determine increased sustainability of such practices, allowing them to have some long-term impact. In this way, it is assumed that the commitment of public higher education toward improved performance would increase and last over a longer period of time. Tennessee is an example of such a strategy which has proved to be successful, at least in terms of longevity. Except for Arkansas, Colorado, and South Carolina, all other states in this study currently employ this latter strategy.

Respondents were asked to indicate their preference for the source(s) of funding based on performance (the choices were: reallocation of state funding, any additional state funding, additional funding beyond salary and inflationary increase, or other) and its relation to state budgets (the choices were: part of institutional base budgets, a separate category in state budgets, and other). As results in Table 11 indicate, except for legislators, all other groups, including the Governor's office, prefer the source of funding to be additional money and campus constituents prefer the source to be additional money beyond salary and inflationary increases. A small percentage of the respondents in all groups indicated the preference for a combination of reallocation and additional money with the latter being the source for the first year of performance funding and reallocation becoming the funding source for subsequent years.

In terms of relation to state budgets, all constituents, with the exception of system administration officers and legislators, whose opinions are equally split between the first two choices provided, overwhelmingly prefer performance funding as a separate category in state budgets. As in the case of funding source, a small percentage of the respondents indicated a preference for a combination of the two methods: separate category in the state budget in the first year of operation and part of institutional base budgets in subsequent years (Table 12).

Table 11. Desired Sources of Performance Funding

	Reallocation of State Funding	Any Additional State Funding	Only Additional State Funding Beyond Salary and Inflationary Increases	Other	No Response
Governor's Office	15.38%	46.15%	23.08%	7.69%	7.69%
Legislators	50.00%	0.00%	16.67%	0.00%	33.33%
Coordinating Agency Officers	14.29%	42.86%	28.57%	4.76%	9.52%
Chairs of System Governing Boards	0.00%	66.67%	0.00%	0.00%	33.33%
Sys. Admin. Officers	0.00%	53.85%	30.77%	7.69%	7.69%
Campus Senior Officers 4Yr	11.11%	28.89%	53.33%	2.78%	3.89%
Campus Senior Officers 2Yr.	13.84%	40.63%	41.96%	0.45%	3.13%
Deans 4Yr.	17.34%	31.00%	39.85%	1.48%	10.33%
Deans 2Yr.	24.14%	29.89%	41.38%	1.15%	3.45%
Chairs of Faculty Senates 4Yr.	15.00%	32.50%	47.50%	2.50%	2.50%
Chairs of Faculty Senates 2Yr.	22.41%	22.41%	46.55%	0.00%	8.62%

Table 12. Performance Funding in Relation to State Budgets

	Part of Institutional Base Budgets	A Separate Category in State Budgets	Other	No Response
Governor's Office	23.08%	53.85%	7.69%	15.38%
Legislators	33.33%	33.33%	0.00%	33.33%
Coordinating Agency Officers	23.81%	57.14%	9.52%	9.52%
Chairs of System Governing Boards	0.00%	66.67%	0.00%	33.33%
System Administration Officers	46.15%	46.15%	0.00%	7.69%
Campus Senior Officers 4Yr	35.00%	58.89%	2.22%	3.89%
Campus Senior Officers 2Yr.	21.43%	74.11%	0.45%	4.02%
Deans 4Yr.	26.57%	61.25%	0.37%	11.81%
Deans 2Yr.	21.84%	70.11%	0.00%	8.05%
Chairs of Faculty Senates 4Yr.	20.00%	70.00%	2.50%	7.50%
Chairs of Faculty Senates 2Yr.	15.52%	75.86%	0.00%	8.62%

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Success Criteria

Essential to any performance funding scheme is the method used to judge progress towards the goals set. All of the states in the study, with the exception of Colorado, use some combination of the following:

- Institutions' progress is measured against their own past performance on specified indicators. This approach emphasizes the idea that performance funding is aimed at improving institutional performance and each institution has its own strengths and weaknesses that must be addressed. This method attempts to avoid the idea of competition among institutions and it is currently used in Tennessee, Missouri, Ohio, Kentucky, Minnesota, and was used in Arkansas.[4] Except for Minnesota, all other states mentioned combine this criterion with comparisons to peer institutions, either statewide or nationally.
- Comparisons with peer institutions nationally or statewide is the second option for judging institutional progress on specified areas. Institutions are measured against averages of peer institutions' performance on the indicators employed by each state. None of the nine states uses solely this criterion.
- A third, less popular, success criterion is comparison against pre-set targeted standards for each performance funding indicator (e.g., institutions should have a graduation rate of 70%). Colorado is currently relying exclusively on targeted standards and Kentucky is using it in combination with institutional improvement over time. There are several arguments that seem to explain this method's lack of popularity. Targeted standards cannot accommodate the sometimes wide differences among the diverse higher education institutions. Regardless of the level at which they are set, they are likely to be inappropriate for one reason or another: If standards are too high, then institutions, especially those which are performing poorly, might not be rewarded even when they are making some progress but are still too far from achieving the established levels; if they are too low, they do not represent a challenge for those institutions that are already performing well, especially flagship campuses; if they are set at an average level, they could be interpreted as too low an expectation, which might send a message of acceptance of mediocrity.

Respondents were asked to express their preference for the criteria to be used in judging institutional performance for funding purposes. (Respondents could choose more than one.) All respondents, except for legislators, have as their first preference a combination of all three criteria discussed above followed by improved institutional performance over time, which is the first preference for legislators (see Table 13). None of the state policy maker groups prefers comparisons with peer institutions as a single success criterion and a small percent of some of these groups would prefer targeted standards. The preference for a combination of the three criteria seems appropriate since such a method would probably provide the best balance between accommodation of institutional diversity, recognition of the efforts and progress made by institutions which begin at lower performance levels, and the challenge needed by high performing institutions.

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4 Due to its particular funding mechanism, in Arkansas institutions competed for performance money.

Table 13. Success Criteria
(% of respondents who checked item)

	Improved Institutional Performance Over Time	Comparisons With Peer Institutions	Targeted External Standards	Combination of the Previous	Other
Governor's Office	15.38%	0.00%	23.08%	69.23%	0.00%
Legislators	33.33%	0.00%	16.67%	16.67%	16.67%
Coordinating Agency Officers	19.05%	0.00%	4.76%	66.67%	0.00%
Chairs of System Governing Boards	33.33%	0.00%	0.00%	33.33%	0.00%
System Administration Officers	40.00%	0.00%	0.00%	46.67%	0.00%
Campus Senior Officers 4Yr	31.15%	14.21%	12.57%	52.46%	3.83%
Campus Senior Officers 2Yr.	40.54%	7.66%	21.17%	44.14%	1.80%
Deans 4Yr.	30.00%	14.81%	14.07%	44.81%	0.74%
Deans 2Yr.	29.07%	4.65%	15.12%	54.65%	4.65%
Chairs of Faculty Senates 4Yr.	28.57%	14.29%	4.76%	52.38%	2.38%
Chairs of Faculty Senates 2Yr.	29.82%	14.04%	12.28%	42.11%	3.51%

Performance Indicators

Selection of indicators is probably the most difficult and controversial task associated with performance funding. Since performance funding ties money directly to achievement on specified indicators, the indicators selected become the expression of the areas a state considers as main priorities for its higher education enterprise. As already mentioned, the diversity of institutional missions, the elusive nature of higher education quality, and prioritization of higher education goals are just few challenges in establishing an appropriate system of performance funding indicators.

Respondents were asked to rate the appropriateness of seventeen indicators using a Likert scale consisting of the following choices: very appropriate (1), appropriate (2), no opinion (3), inappropriate (4), very inappropriate (5). The seventeen indicators were selected from a list of categories of indicators used by eight of the nine states (Ohio was not included since it has not yet developed indicators for its four-year institutions). These indicators are the most common (Burke, 1997, provides a detailed discussion of performance funding indicators). Based on the responses for each group, indicators were ranked as the most and least preferred. The most preferred are those with the highest percentages of responses that categorized them as very appropriate or appropriate and the least preferred are those with the highest percentages of responses that considered them inappropriate or very inappropriate.

Retention/graduation rates, job placement, professional licensure exams, and employer satisfaction surveys are the most common in the most preferred category. However, chairs of

faculty senates of four-year institutions have job placement at the top of their least preferred indicators and their counterparts from two-year institutions held a similar status for retention/graduation rates. In spite of widespread discussions about the need for a closer collaboration between elementary and secondary education and higher education, K-12 linkages are preferred only by the Governor's office, legislators, and chairs of system governing boards while none of the campus groups indicates a strong preference for this indicator.

Transfer from two- to four-year institutions is on the most preferred list of Governor's office and coordinating board officers while senior campus officers and deans of four-year institutions included it in their list of least preferred indicators, which suggests that the emphasis on articulation policies is far from gaining the needed support of four-year institution officers, on the one hand, and enough attention and interest from two-year institution representatives, on the other hand. Alumnae satisfaction surveys appeal as an appropriate indicator to system administrators, deans, and chairs of faculty senates of both types of institutions while legislators seem to dislike it and senior campus officers to ignore it although the latter are interested in student satisfaction surveys.

In the least preferred category, administrative size/cost, time to degree, and diversity of students are the most common. As expected, standardized tests are poorly rated in terms of appropriateness by four of the six campus groups, deans and chairs of two-year institutions being the two exceptions perhaps because potential and current students of these institutions are less affected by results of standardized tests.

Faculty workload is on the least preferred indicator lists of the Governor's office, coordinating agency officers, chairs of system governing boards, senior campus officers and chairs of faculty senates of four-year institutions. While the opinion of the latter group was expected, the responses of former groups do not confirm the commonly held assumption and the criticisms generally expressed by faculty members that these groups, in their drive for increased efficiency, are targeting faculty workloads. Diversity of faculty/staff is least preferred for performance funding purposes by system administrators, senior campus officers and deans of two-year institutions, and chairs of faculty senates of both types of institutions.

Overall, it should be noted that there are more commonalties than differences in the respondent groups' preferences of indicators for performance funding purposes. Although some of the responses confirm commonly held assumptions about the positions of some of the groups, the most important finding here is that state policy makers are closer to campus representatives than would have been expected. Once again, this survey suggests that the gap between the two major groups participating in this study is not irreconcilable and that lack of communication between these groups is probably the main problem rather than totally opposite preferences and opinions.

Table 14. Most and Least Preferred Performance Indicators

	Most Preferred Performance Indicators	Least Preferred Performance Indicators
Governor's Office	K-12 linkage Satisfaction surveys - employers Two-to-four year transfer	Administrative size/cost Diversity of students Faculty workload Undergraduate access
Legislators	Job placement K-12 linkage Professional licensure exams Retention/graduation rates Satisfaction surveys - employers	Administrative size/cost New student preparation Satisfaction surveys - alumni Satisfaction surveys - students Time to degree
Coordinating Agency Officers	Retention/graduation rates Job placement Two-to-four year transfer Professional licensure exams	Faculty workload Administrative size/cost Time to degree
Chairs of System Governing Boards	Administrative size/cost Job placement K-12 linkage Professional licensure exams Retention/graduation rates	Faculty workload New student preparation Time to degree Undergraduate access
System Administration Officers	Professional licensure exams Retention/graduation rates Satisfaction surveys - alumni Satisfaction surveys - employers	New student preparation Diversity of faculty/staff Time to degree Diversity of students Two-to-four year transfer
Campus Senior Officers 4Yr	Retention/graduation rates Professional licensure exams Satisfaction surveys - employers Satisfaction surveys - students	Time to degree Two-to-four year transfer Standardized tests Faculty workload
Campus Senior Officers 2Yr.	Retention/graduation rates Job placement Satisfaction surveys - employers Satisfaction surveys - students	Time to degree Diversity of faculty/staff Administrative size/cost Standardized tests
Deans 4Yr.	Retention/graduation rates External peer review Satisfaction surveys - employers Satisfaction surveys - alumni	Time to degree Two-to-four year transfer Diversity of students Standardized tests
Deans 2Yr.	Satisfaction surveys - employers Satisfaction surveys - alumni Satisfaction surveys - students Professional licensure exams	Time to degree Diversity of faculty/staff Diversity of students Administrative size/cost
Chairs of Faculty Senates 4Yr.	Professional licensure exams Satisfaction surveys - alumni Administrative size/cost Satisfaction surveys - employers	Job placement Time to degree Diversity of faculty/staff Faculty workload Standardized tests
Chairs of Faculty Senates 2Yr.	Job placement Professional licensure exams Satisfaction surveys - alumni Satisfaction surveys - students	Time to degree Diversity of faculty/staff Retention/graduation rates Diversity of students

§ Planning and Implementation of Performance Funding

Although the design stage sets forth the foundation of any policy, its fate is usually determined by the planning and implementation process. Even in states where legislation mandated performance funding, the tasks of planning and implementation were left to the higher education community. This section deals with several important aspects related to these challenging tasks: participation in the development process, difficulties, and advantages and disadvantages of performance funding.

Participants in the Development Process

Respondents were asked to rate on a Likert scale (very important, important, moderately important, slightly important, not important) the importance of the input of various groups in the development process. Table 15 shows how respondents (header of the table) ranked those groups (left column of the table). The rankings were determined based on the percentages of responses that indicated the groups on the left column of the table as having a very important or important input in the development process. Groups that received equal percentages were assigned the same rank (e.g., the Governor's office considered that system administrators and legislators were equally important in the development process, so both groups were assigned rank 2 since they were perceived as second in importance to the Governor and Governing Board officers who were assigned rank 1).

Nine of the eleven respondent groups consider that legislators were the most important in the development of performance funding. Legislators perceive themselves as second in importance to state coordinating boards. The Governor's office ranks legislators as second to the Governor and Governing Board officers. These perceptions confirm the pattern of performance funding development. Except for Missouri and Tennessee, the other seven states in this study had legislation related to or mandating performance funding. The degree of actual involvement of campus representatives, as indicated by primary source materials, seems to have been weak or nonexistent in Colorado, Minnesota, Ohio, and South Carolina, whereas Arkansas, Florida, Kentucky, Missouri, and Tennessee have relied extensively on their input. Except for Chairs of system governing boards, respondents agree that community leaders and students had the least important role in the development process. Campus representatives generally believe that state policy maker groups had led the development process while legislators and the Governor's office consider that campus representatives played a fairly important role.

Table 15. Participation in the Development Process

	Governor's Office	Legislators	Coord. Agency Officers	Chairs of Sys. Gov. Boards	Sys. Admin. Officers	Campus Senior Officers 4Yr.	Campus Senior Officers 2Yr.	Deans 4Yr.	Deans 2Yr.	Chairs of Faculty Senates 4Yr.	Chairs of Faculty Senates 2Yr.
Business Leaders	4	2	5	2	8	7	8	7	5	5	7
Campus Leaders	2	3	4	1	6	7	7	8	5	7	8
Community Leaders	5	4	8	2	9	8	9	9	6	6	9
Governor	1	2	2	1	5	2	4	2	3	3	2
Governing Board Officers	1	2	6	1	3	6	6	4	2	4	3
System Administrators	2	3	2	1	4	4	5	5	4	5	5
Legislators	2	2	1	1	1	1	1	1	1	1	1
State coord. board	2	1	3	1	3	3	2	3	3	2	4
State coordinating agency	3	2	2	1	2	5	3	6	4	3	6
Students	6	4	7	1	7	9	10	10	7	8	10

Difficulties of Planning and Implementation

Respondents were asked to indicate difficulties related to planning and implementation. The choices provided were: funding too small, funding too large, costs (e.g., staff, data collection and analysis), selection of success criteria, selection of performance indicators, determination of indicator weights, diversity of institutional missions, frequent changes of goals/indicators/success criteria, insufficient time for implementation, or other. Respondents could check as many of these choices as they felt appropriate. Table 16 displays the percentage of respondents who checked each of these choices. Except for chairs of system governing boards, deans of two-year institutions, and chairs of faculty senates of four-year institutions, respondents perceived selection of performance indicators as the most difficult task of planning and implementation. This response confirms the previous discussion about performance indicators. Opinions regarding the second difficulty in this process are split: Governor's office and campus senior officers believe that diversity of institutional missions (the former ranked selection of success criteria similarly) posed the second most difficult challenge whereas legislators, system administration officers, and deans considered selection of success criteria as the second most difficult task. However, these groups are very close in their perceptions since debates over the appropriateness of success criteria are strongly related to the types of institutions to which they will be applied and the variation in institutional performance due to the type of students served and programs offered.

Only deans of two-year institutions believe that "funding too small" was the most significant difficulty and all other groups, except for chairs of system governing boards, rate it in the top five. Although, with the exception of Tennessee, Missouri, and Arkansas, the other states have required planning of these complex programs within less than a year, respondents consider the usually short time allowed for planning and implementation as one of the least difficult factors.

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Once again, there seems to be agreement between the various respondent groups. Although respondents have largely the same preferences for performance funding indicators, as previously discussed, indicator selection continues to be perceived as the major difficulty of performance funding planning and implementation.

Table 16. Difficulties Related to Planning and Implementation (% of respondents who checked item)

	Funding Too Small	Funding Too Large	Costs	Success Criteria	Indicators	Indicator Weights	Mission Diversity	Frequent Changes	Insufficient Time	Other
Governor's Office	15.38	0.00	15.38	61.54	76.92	30.77	61.54	38.46	30.77	15.38
Legislators	33.33	16.67	0.00	50.00	66.67	33.33	33.33	16.67	16.67	16.67
Coord.Agency Officers	42.86	0.00	38.10	52.38	57.14	47.62	47.62	28.57	23.81	4.76
Chairs of Sys. Gov. Boards	0.00	0.00	66.67	33.33	33.33	0.00	33.33	66.67	0.00	0.00
Sys. Admin. Officers	53.33	0.00	53.33	60.00	66.67	20.00	53.33	40.00	26.67	6.67
Campus Senior Officers 4Yr	55.19	3.28	49.18	63.39	71.58	49.73	70.49	24.59	32.79	5.46
Campus Senior Officers 2Yr.	63.96	3.15	59.91	68.92	76.13	52.70	71.62	19.37	29.73	6.76
Deans 4Yr.	52.59	2.96	33.70	58.15	58.89	34.44	57.78	21.48	25.56	5.56
Deans 2Yr.	62.79	2.33	44.19	60.47	58.14	46.51	51.16	19.77	38.37	4.65
Chairs of Faculty Senates 4Yr.	59.52	2.38	45.24	64.29	61.90	30.95	59.52	33.33	26.19	2.38
Chairs of Faculty Senates 2Yr.	68.42	3.51	45.61	63.16	70.18	43.86	54.39	19.30	24.56	8.77

Advantages and Disadvantages of Performance Funding

Although performance funding has not been largely studied, the extant literature on this topic provides some indications concerning the potential advantages and disadvantages of linking part of the higher education funding to results. According to Folger and Jones (1993), a major advantage of this strategy is its built-in accountability. Another advantage of performance funding is that it requires states to identify and prioritize goals for their higher education systems (Folger and Jones, 1993). Although in certain situations where the goals are specific and easy to quantify other funding methods such as incentive grants are more effective in promoting the selected goals, performance funding is more appropriate in situations where the goals are general and complex such as improving undergraduate education. Outcome measures are difficult to develop for such general and complex goals and, although important, they might not be of high priority with the faculty in particular institutions.

A third important advantage of performance funding is that a small percentage of the operational budget (up to 5.45% as in Tennessee) can be motivating to higher education institutions and does not detract from the base budget. Each year, 85-90% of the budget is committed to the continuation of existing activities (e.g., salaries, supplies, plant operation and maintenance). Therefore, the provision of 2-5% of performance money may represent 20% of the funding that can be used to enhance existing programs or start new ones.

Performance funding has some important limitations as well. As Ashworth (1994) points out, "the touchstones for any performance funding system should include availability of data, simplicity, and flexibility to measure performance by different kinds of colleges and universities" (p. 11) As already discussed, the most challenging task related to the development and implementation of a performance funding policy is the clear definition and measurement of the objectives to be rewarded. For example, improving undergraduate education is a very broad goal with many facets and is much harder to measure than a goal of rewarding institutions for receiving increased external support (Folger and Jones, 1993). Moreover, according to Astin (1990), the value-added assessment incorporated by some states in their performance funding programs, while enabling institutions to determine how much "talent" is being developed among their students, may become dysfunctional if such assessment is done using a common instrument, a single test, for all institutions.

As the Tennessee experience seems to indicate, when multiple measures are used for the same outcome, they may give conflicting results. Tennessee required a test of general education outcomes, but there is little improvement in average scores over the almost two decades it has been administered. The state also required alumnae surveys, which usually turned up high marks for their alumni's educational experiences. Faculty are inclined to accept positive ratings of graduates and reject test results as not being good measures of their curriculum. A common faculty attitude, which was confirmed by this survey as well, is that high marks from graduates are a more important criterion than test scores (Folger and Jones, 1993). This attitude helps explain the reduction in the weight given to the general education test-score measure in Tennessee's just concluded five-year performance-funding cycle. Even when a goal can be unambiguously assessed, such as improving retention or graduation - these two being common goals for all states that have a performance-funding program in place - there are faculty and administrators who argue that institutions who have more able entrants are likely to have higher retention and graduation rates than institutions that admit almost all applicants. Making the performance award equally accessible to all institutions requires careful design. As many authors stress, unless institutions perceive the performance-funding process as fair and unbiased, they will not support or be motivated by it. The experiences of Arkansas and Texas seem to confirm this statement. In the former, the perception of two-year institutions that their four-year counterparts were favored by the performance funding scheme implemented was one of the causes leading to the abandonment of the program in February 1997. In the latter, the perception of higher education institutions that performance funding proposals tended to be supportive of institutions with heavy concentration of minority students represented an important impediment in the implementation of this policy.

Respondents were asked to indicate what they perceive as the advantages and disadvantages of performance funding. On the advantage side, the choices were: discretionary nature of performance funding money, emphasis on results, identification and prioritization of goals for higher education, increased accountability, potential for improving higher education effectiveness/efficiency, none, no opinion, other. On the disadvantage side, the choices were: budget instability, changing state priorities, cost of implementation, difficulty of measuring results of higher education, erosion of institutional autonomy, none, no opinion, other. Respondents could check as many items as they considered appropriate.

Tables 17 and 18 show the percentage of respondents from each group who considered each of the choices an advantage and disadvantage, respectively. Except for legislators who consider potential to improve higher education second to increased accountability, all respondents agree in their view of this factor as the primary advantage of performance funding. Emphasis on results and increased accountability compete for the second and third places. Campus groups, who expressed a desire for de-emphasizing accountability as a purpose of performance funding, agree with the other groups in perceiving increasing accountability as an advantage of performance funding. The discretionary nature of performance funding money is the last on the advantage list for all respondent groups. Some of the legislators and campus groups indicated that performance funding bears no advantage whatsoever.

Respondents from all but two groups, chairs of system governing boards and system administration officers, consider difficulty of measuring results of higher education as the primary disadvantage of performance funding. Most of the groups regard budget instability and cost of implementation as the next two disadvantages. Only campus senior officers and deans of four-year institutions rank erosion of institutional autonomy in the top three disadvantages while for all other groups this is the last concern. Some of the respondents, led by coordinating agency officers, consider that performance funding does not bear any disadvantages.

Table 17. Advantages of Performance Funding (% of respondents who checked item)

	Discretionary Money	Emphasis on Results	Identification and Prioritization of Goals	Increased Account-ability	Potential to Improve Higher Education	None	No Opinion	Other
Governor's Office	53.85	84.62	61.54	76.92	92.31	0.00	7.69	7.69
Legislators	0.00	50.00	50.00	66.67	50.00	33.33	0.00	16.67
Coordinating Agency Officers	33.33	80.95	66.67	76.19	85.71	0.00	0.00	9.52
Chairs of System Governing Boards	33.33	33.33	33.33	33.33	66.67	0.00	0.00	0.00
System Administration Officers	20.00	33.33	26.67	46.67	66.67	0.00	6.67	13.33
Campus Senior Officers 4Yr	17.49	45.90	45.90	51.91	58.47	10.38	5.46	3.28
Campus Senior Officers 2Yr.	22.52	55.41	49.10	56.31	64.41	9.91	3.60	1.80
Deans 4Yr.	18.52	46.67	36.67	46.30	48.52	10.37	10.37	1.11
Deans 2Yr.	9.30	53.49	36.05	52.33	58.14	8.14	4.65	1.16
Chairs of Faculty Senates 4Yr.	14.29	45.24	38.10	47.62	52.38	16.67	2.38	2.38
Chairs of Faculty Senates 2Yr.	15.79	33.33	26.32	43.86	54.39	19.30	5.26	0.00

Table 18. Disadvantages of Performance Funding (% of respondents who checked item)

	Budget Instability	Changing State Priorities	Cost of Implementation	Difficulty of Measuring Results of Higher Education	Erosion of Institutional Autonomy	None	No Opinion	Other
Governor's Office	23.08	0.00	7.69	76.92	7.69	7.69	7.69	15.38
Legislators	16.67	16.67	0.00	16.67	0.00	16.67	0.00	16.67
Coordinating Agency Officers	28.57	19.05	14.29	33.33	0.00	28.57	4.76	4.76
Chairs of System Governing Boards	33.33	0.00	66.67	33.33	0.00	0.00	0.00	0.00
System Administration Officers	40.00	40.00	46.67	40.00	6.67	0.00	0.00	20.00
Campus Senior Officers 4Yr	41.53	33.33	32.24	68.85	42.62	1.09	3.83	10.38
Campus Senior Officers 2Yr.	42.34	38.74	44.59	73.42	37.84	2.25	3.15	12.16
Deans 4Yr.	42.22	34.81	27.04	66.67	35.93	2.22	7.78	6.30
Deans 2Yr.	37.21	34.88	36.05	70.93	22.09	5.81	5.81	9.30
Chairs of Faculty Senates 4Yr.	30.95	33.33	40.48	76.19	42.86	0.00	2.38	11.90
Chairs of Faculty Senates 2Yr.	50.88	42.11	35.09	73.68	28.07	1.75	5.26	12.28

§ Effectiveness of Performance Funding

Effectiveness is one of the critical tests for any policy. Respondents were asked to express their opinions whether performance funding has led or has the potential to lead to increased state funding for higher education, improvement of higher education, increased accountability of public colleges and universities, and improvement of public perceptions of higher education. Possible answers to these four questions were: yes; not yet, but has potential; no, has no potential; too soon to tell; and no opinion. The first two possibilities are grouped under the category "positive impact," the third under "no impact," and the last three under "undecided." Tables 19-22 indicate responses to the four questions.

Overall, responses reflect a divergence of opinions between the two major respondent categories, with state policy makers inclined more than campus representatives to believe that performance funding achieved or has the potential to achieve the four goals. State policy makers consider that performance funding has been more successful in increasing funding and accountability than in improving higher education or public perceptions of higher education whereas campus groups, although with some variations, tend to perceive the contrary as true. Of those who believe that performance funding has no potential to achieve these goals, the greatest disbelief is related to the policy's potential to increase state funding for higher education. Generally, however, the percentages of respondents who do not believe in the potential effectiveness of performance funding are much lower than those of respondents who do.

There are also fairly large percentages of undecided respondents, for some respondent groups. These are larger than those indicating trust in effectiveness. Compared to state policy makers,

campus groups tend to be more undecided than to have reached an opinion regarding all four goals, especially regarding improvement of higher education and public perceptions. Considering the short-life span of most of the performance funding programs, the large percentages of undecided respondents are probably justified.

Table 19. Impact of Performance Funding on State Funding for Higher Education

	Positive Impact	No Impact	Undecided
Governor's Office	61.54%	7.69%	30.77%
Legislators	66.67%	0.00%	33.33%
Coordinating Agency Officers	57.14%	4.76%	38.10%
Chairs of System Governing Boards	66.67%	0.00%	33.33%
System Administration Officers	46.15%	23.08%	30.77%
Campus Senior Officers 4Yr	38.33%	18.89%	42.78%
Campus Senior Officers 2Yr.	44.64%	9.38%	45.98%
Deans 4Yr.	23.70%	21.11%	55.19%
Deans 2Yr.	36.78%	13.79%	49.43%
Chairs of Faculty Senates 4Yr.	17.07%	24.39%	58.54%
Chairs of Faculty Senates 2Yr.	24.14%	22.41%	53.45%

Table 20. Impact of Performance Funding on Higher Education Improvement

	Positive Impact	No Impact	Undecided
Governor's Office	46.15%	0.00%	53.85%
Legislators	50.00%	16.67%	33.33%
Coordinating Agency Officers	57.14%	4.76%	38.10%
Chairs of System Governing Boards	33.33%	0.00%	66.67%
System Administration Officers	46.15%	15.38%	38.46%
Campus Senior Officers 4Yr	37.78%	8.89%	53.33%
Campus Senior Officers 2Yr.	41.52%	5.36%	53.13%
Deans 4Yr.	21.48%	11.48%	67.04%
Deans 2Yr.	42.53%	4.60%	52.87%
Chairs of Faculty Senates 4Yr.	29.27%	9.76%	60.98%
Chairs of Faculty Senates 2Yr.	22.41%	13.79%	63.79%

Table 21. Impact of Performance Funding on Higher Education Accountability

	Positive Impact	No Impact	Undecided
Governor's Office	61.54%	0.00%	38.46%
Legislators	50.00%	16.67%	33.33%
Coordinating Agency Officers	61.90%	4.76%	33.33%
Chairs of System Governing Boards	33.33%	0.00%	66.67%
System Administration Officers	61.54%	15.38%	23.08%
Campus Senior Officers 4Yr	47.22%	8.89%	43.89%
Campus Senior Officers 2Yr.	52.23%	5.36%	42.41%
Deans 4Yr.	34.44%	10.00%	55.56%
Deans 2Yr.	45.98%	3.45%	50.57%
Chairs of Faculty Senates 4Yr.	24.39%	7.32%	68.29%
Chairs of Faculty Senates 2Yr.	24.14%	10.34%	65.52%

Table 22. Impact of Performance Funding on Public Perceptions of Higher Education

	Positive Impact	No Impact	Undecided
Governor's Office	53.85%	0.00%	46.15%
Legislators	33.33%	0.00%	66.67%
Coordinating Agency Officers	57.14%	4.76%	38.10%
Chairs of System Governing Boards	66.67%	0.00%	33.33%
System Administration Officers	53.85%	15.38%	30.77%
Campus Senior Officers 4Yr	39.44%	8.89%	51.67%
Campus Senior Officers 2Yr.	35.71%	8.04%	56.25%
Deans 4Yr.	22.59%	14.07%	63.33%
Deans 2Yr.	35.63%	3.45%	60.92%
Chairs of Faculty Senates 4Yr.	24.39%	4.88%	70.73%
Chairs of Faculty Senates 2Yr.	24.14%	13.79%	62.07%

§ Improvement of Performance Funding

Responses related to ways to improve performance funding show a high degree of consistency, although they somewhat contradict the responses related to desired levels of performance funding. Except for system administration officers and chairs of faculty senates of two-year institutions, all respondent groups see increasing funding for performance as the main avenue for improving these programs. The majority of each respondent group, except for legislators and chairs of system governing boards, indicated earlier that they preferred a level of performance funding of less than 6% of the educational and general costs. An explanation for this apparent contradiction might be that, in reality, the level of 6% has not been reached yet. Even in Tennessee, where institutions can gain up to 5.45% of their operating budgets for performance, the actual awards have generally been below this level.

The other apparent contradiction seems to be caused by the preference of six of the respondent groups for increased institutional choice of indicators and their weights as the second improvement method. Since this option is part of what defines the choice of performance funding, the responses given to the question concerning the values reflected by this budgetary method, where choice did not seem a major concern for any of the groups, appear to contradict these latest opinions. Moreover, many campus respondents, especially those from two-year institutions, indicated in the space provided for other suggested methods for improvement, the need for an increased consideration of diversity of institutional missions in the design of performance funding. Of all respondent groups, the least concerned with institutional choice are legislators and coordinating agency officers who would rather prefer to see less indicators used for performance funding.

Table 23. Methods for Improving the Current Performance Funding Programs (% of respondents who checked item)

	Fewer Indicators	More Indicators	Institutional Choice of Indicators and Weights	Increased Funding	Reduced Funding	Other
Governor's Office	7.69	30.77	38.46	38.46	15.38	15.38
Legislators	33.33	0.00	16.67	66.67	16.67	16.67
Coordinating Agency Officers	47.62	9.52	14.29	57.14	4.76	28.57
Chairs of System Governing Boards	0.00	33.33	33.33	66.67	0.00	0.00
System Administration Officers	20.00	6.67	53.33	46.67	0.00	13.33
Campus Senior Officers 4Yr	28.42	7.10	52.46	54.10	5.46	8.20
Campus Senior Officers 2Yr.	29.28	12.16	50.45	58.56	0.90	11.71
Deans 4Yr.	14.81	5.19	49.63	54.44	1.85	8.52
Deans 2Yr.	17.44	11.63	52.33	60.47	4.65	10.47
Chairs of Faculty Senates 4Yr.	23.81	9.52	47.62	50.00	2.38	19.05
Chairs of Faculty Senates 2Yr.	10.53	14.04	54.39	52.63	0.00	8.77

§ Prospects of Performance Funding

Opinions concerning the future of performance funding, its continuance and sustainability over the next seven years, are mixed. However, very few respondents believe that its future is unfavorable either short-term (over the next one to three years) or long-term (over the next four to seven years).

The split occurs between an uncertain future or a future favorable long- and short-term with the latter in the middle. State policy makers and campus senior officers of four-year institutions tend to believe that performance funding has a favorable long-term future, whereas the rest of the campus groups see it as uncertain. Since in all nine states performance funding was initiated by governors, legislators, and/or coordinating agencies, their expectation for its continuance seems justified.

Table 24. Future of Performance Funding (% of respondents who checked item)

	Favorable Long-Term	Favorable Short-Term	Uncertain	Unfavorable Long-Term	Unfavorable Short-Term	Other
Governor's Office	61.54	23.08	15.38	0.00	0.00	0.00
Legislators	50.00	0.00	33.33	0.00	0.00	0.00
Coordinating Agency Officers	57.14	28.57	9.52	0.00	0.00	0.00
Chairs of System Governing Boards	33.33	33.33	0.00	33.33	0.00	0.00
System Administration Officers	53.33	6.67	26.67	0.00	0.00	0.00
Campus Senior Officers 4Yr	36.07	26.78	27.32	6.01	2.19	0.55
Campus Senior Officers 2Yr.	34.68	22.52	39.19	5.86	0.45	0.00
Deans 4Yr.	30.00	17.41	37.41	5.19	3.70	0.00
Deans 2Yr.	25.58	16.28	52.33	3.49	1.16	0.00
Chairs of Faculty Senates 4Yr.	23.81	19.05	45.24	0.00	4.76	0.00
Chairs of Faculty Senates 2Yr.	22.81	14.04	47.37	10.53	3.51	0.00

§ Main Findings

The main findings of this study are as follows:

1. Respondents are much more familiar with performance funding practices in their own state than those in other states. Compared to the other respondent groups, deans and chairs of faculty senates are the least familiar with performance funding practices both within their own state and other states. For all respondent groups, there is a sharp difference between knowledge of performance funding in the home state as opposed to other states.
2. There appears to be little perceived influence between states in terms of the design of performance funding. Of all conceptual elements of performance funding, only the allocation method and performance indicators are perceived as having been subjected to inter-state influences. While these perceptions are sustained by evidence in the case of the former element, in reality, there is little commonalty in the performance indicators utilized in the nine states.
3. Results indicate a preference for higher education state budgets driven by current costs, improved results of higher education institutions, and enrollment levels.
4. Except for Governor's office and legislators, all other groups consider that external accountability is currently the main purpose of performance funding. All groups wish to see institutional improvement become the primary purpose of such programs.

5. Opinions expressed regarding the current and desired importance of the four values of quality, efficiency, equity, and choice for performance funding practices confirm the characteristics of the reform movements begun in the mid 1980s: the overwhelming interest in and concern for the first two and marginalization of the latter.
6. Preferences for less than 6% of the educational and general costs allocated based on performance reflect the moderation which characterizes performance funding levels in most of the states. This moderate perspective on performance funding is further reaffirmed by the preference for using additional money for this purpose rather than reallocations within base-budgets.
7. Results indicate a need for a reconsideration of success criteria used to judge institutions' progress on performance funding indicators and a desire for the use of a combination of all three major success criteria: institutional improvement over time, comparisons to peer institutions, and targeted standards.
8. Respondent groups share many preferences for performance indicators. Retention/graduation rates, job placement, professional licensure exams, and employer satisfaction surveys are generally considered the most appropriate whereas administrative size/cost, time to degree, and diversity of students are considered the least appropriate for funding based on performance.
9. Legislators are recognized by all respondent groups as the most important in the performance funding development process and community leaders and students as the least involved.
10. Selection of performance indicators and success criteria and diversity of institutional missions remain the major difficulties of planning and implementation.
11. Potential to improve higher education and increase its accountability and emphasis on results are perceived as the major advantages of performance funding whereas difficulty of measuring higher education results as its main disadvantage.
12. Generally, respondents are still undecided about the effectiveness of performance funding. State policy makers, however, are stronger believers in performance funding's potential to achieve its goals than campus representatives.
13. In spite of the moderation expressed regarding the desired performance funding levels, most of the respondents feel that increasing funding for performance would improve this budgetary method.
14. The future of performance funding is perceived differently by the two major respondent groups: state policy makers tend to believe in the continuance of these programs over the long-term (4-7 years) whereas campus representatives feel that the future of performance funding is uncertain.

§ Conclusions

McLaughlin (1991) states that the overarching conclusion of empirical research on policy implementation "is that it is incredibly hard to make something happen, most especially across layers of government and institutions" (p. 187). She further contends that this is because "policymakers can't mandate what matters." What matters in policy implementation is local capacity and will. Although a difficult issue, capacity can be built or enhanced, "but will, or the

attitudes, motivation, and beliefs that underlie an implementor's response to a policy goals or strategies, is less amenable to policy intervention." The main goal of this study was to compare and contrast the attitudes, opinions, and beliefs of both groups, policymakers and implementors, regarding one of the most controversial policies of the 1990s: performance funding.

Although only ten states are currently using performance funding for their public colleges and universities, the continuous emphasis on increasing higher education accountability and improving its quality makes this policy, in some form or another, a likely candidate for consideration by other states as well. The findings of this study challenge the commonly held assumption that there is an irreconcilable gap between policy makers and campus leaders when it comes to any state-wide policy aimed at addressing higher education quality and accountability. Although differences exist, respondents from both sides share preferences, attitudes, and opinions regarding some of the critical elements of performance funding: values, purposes, performance indicators, success criteria, funding levels, development difficulties, and advantages and disadvantages. At least in the case of performance funding, what seems to be lacking is effective communication between these critical groups rather than commonalty of attitudes and opinions. This assumption is confirmed by the comments provided by some of the campus representatives, especially deans and chairs of faculty senates, which indicated the desire for a wider dissemination of information relevant to performance funding.

Performance funding experiences of the nine states in this study indicate that it is still too early to draw any summative conclusions. States such as Tennessee and Missouri seem to have committed to this practice for the long-term; South Carolina, Florida, Minnesota, and Ohio have just recently implemented or are about to implement performance funding; Kentucky must accommodate a new gubernatorial agenda; and Arkansas abandoned its program shortly after its adoption. Meanwhile, other states, such as Washington, are just engaging in the development process. As of 1997, the fate of performance funding policies is yet to be determined.

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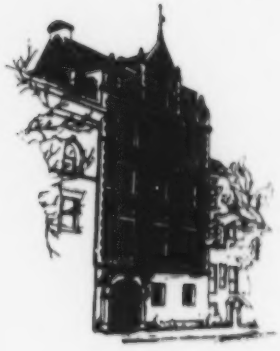

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